UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF FLORIDA
TALLAHASSEE DIVISION

MCI TELECOMMUNICATIONS CORPORATION, a Delaware Corporation, et al.

Plaintiffs,

v.

Civil Action No.
497CV141-RH

BELLSOUTH TELECOMMUNICATIONS, INC., a Georgia Corporation, et al.,

Defendants.

BELLSOUTH'S REPLY BRIEF IN SUPPORT OF ITS COUNTER AND CROSS-CLAIMS

MAHONEY ADAMS & CRISER, P.A.
William W. Deem, Esq.
3300 Barnett Center
Post Office Box 4099
Jacksonville, FL 32201-4099
(904) 354-1100

Of Counsel:

Robert Beatty, Esq.
R. Douglas Lackey, Esq.
J. Phillip Carver, Esq.
BELLSOUTH TELECOMMUNICATIONS

Michael K. Kellogg, Esq.
Sean A. Lev, Esq.
KELLOGG, HUBER, HANSEN, TODD & EVANS, PLLC

BellSouth Telecommunications, Inc. ("BellSouth"), pursuant to this Court's order of July 19, 1997, files this reply brief in support of its counter-claim against plaintiffs MCI Telecommunications Corporation and MCIMetro Access Transmission Services, Inc. (collectively "MCI") and its cross-claim against the members of the Florida Public Service Commission, acting in their official capacities (collectively the "PSC").

Binding Precedent Establishes that the BellSouth-MCI Agreement Unlawfully Allows MCI to Evade the Statutory Standards for Resale

As BellSouth explained in its opening brief, the Florida Public Service Commission's ("PSC") handling of this case demonstrates why Congress put its faith in such expert State commissions. The PSC has carried out its assigned duties conscientiously and, in nearly every instance, in a manner fully consistent with the 1996 Act. BellSouth thus challenges only one PSC determination -- its decision that MCI is entitled to avoid the statutory resale rules by obtaining network elements already combined by BellSouth.[1]

BellSouth's argument on this point is a straightforward one: The United States Court of Appeals for the Eighth Circuit has addressed this precise issue, and it has ruled squarely in BellSouth's favor. The parties to this case participated in the Eighth Circuit proceeding and are thus bound by the decision in that case under basic principles of collateral estoppel. See, e.g., Greenblatt v. Drexel Burnham Lambert, Inc., 763 F.2d 1352, 1360 (11th Cir. 1985) (collateral estoppel applies where "the issue at stake [is] identical to the one alleged in the prior litigation," "the issue [was] actually litigated in the prior litigation" and the "determination of the issue in the prior litigation [was] a critical and necessary part of the

---

[1]MCI contends that the PSC erred in other respects, propositions which BellSouth disputes. This reply, however, pertains only to BellSouth's claim of error. BellSouth has addressed MCI's claims in other briefing.

judgment"). Accordingly, the BellSouth-MCI agreement must be altered to the extent that it departs from the circuit court's authoritative interpretation of the federal statute.

1. Simply put, the question here is whether MCI may evade the statutory restrictions on resale -- and, in particular, the statutory pricing methodology for resale -- by obtaining the exact equivalent of resold BellSouth services in the form of network elements already combined into a complete service. The Eighth Circuit has now answered that very question. It has said no. The circuit court has squarely held that, if entrants like MCI want to rely exclusively on BellSouth's network elements to provide service, they may do so, but only if they buy those elements on a truly unbundled basis. In other words, if MCI wants to utilize BellSouth's network elements in combination, MCI must obtain each network element separately and must then undertake the work necessary to combine those elements. See Iowa Utils. Bd. v. FCC, 120 F.3d 755, 813 (8th Cir. 1997) (the 1996 Act "unambiguously indicates that requesting carriers will combine the unbundled elements themselves"), petitions for cert. filed (Nov. 17-18, 1997). Indeed, to the extent there was any conceivable doubt on this point, the Eighth Circuit erased it in its rehearing order, issued after BellSouth filed its opening brief in this case. In that order, the circuit court stated:

> Section 251(c)(3) requires an incumbent LEC to provide access to the elements of its network only on an unbundled (as opposed to a combined) basis. Stated another way, § 251(c)(3) does not permit a new entrant to purchase the incumbent LEC's assembled platform(s) of combined network elements (or any lesser existing combination of two or more elements) in order to offer competitive telecommunications services.

Iowa Utils. Bd. v. FCC, Order on Petitions for Rehearing, Nos. 96-3321, et al., 1997 U.S. App. LEXIS 28652, at *3-4 (8th Cir. Oct. 14, 1997) ("Rehearing Order") (emphasis added). The court stressed that this result was necessary to guard against exactly what MCI seeks

here -- evisceration of the statutory distinction between resale and use of network elements by allowing an entrant to obtain the exact equivalent of a resold service at cost-based network element rates:

> To permit [the] acquisition of already combined elements at cost based rates for unbundled access would obliterate the careful distinctions Congress has drawn in subsections 251(c)(3) and (4) between access to unbundled network elements on the one hand and the purchase at wholesale rates of an incumbent's telecommunications retail services for resale on the other.

Id. at *4. The Eighth Circuit has thus disposed of the issue presented here. That should be the end of the matter.

2. The PSC largely acknowledges the dispositive nature of the Eighth Circuit's holding and, indeed, goes so far as to suggest that the issue here is "mooted" by the Eighth Circuit's decision. PSC Response Br. 8. As the PSC explains, under the Eighth Circuit's ruling BellSouth is "not required to provide new entrants access to any two or more elements already combined in the LEC's network" and MCI, therefore, "cannot purchase combined elements to recreate a service by paying for each network element involved." Id. at 10. The PSC is correct on all those points, and its logic directly supports the relief that BellSouth seeks here.

The PSC, however, also suggests that this Court should stay its hand and withhold ruling on BellSouth's Counterclaim (or affirm the PSC's judgment) because (1) the PSC never directly addressed the "real issue" here, "whether combined network elements used to duplicate services should be priced at individual rates or at resale rates," and (2) MCI has a pending motion before the PSC that, according to the PSC, may ultimately resolve this matter. Id. at 9, 11.

The Eighth Circuit's ruling disposes of both points, however. First, in light of the circuit court's decision, entrants have no statutory right to obtain "combined network elements" at all, much less at the same price as resale, as the PSC suggests. That is the Eighth Circuit's central holding, and it is that holding that the PSC specifically acknowledges elsewhere in its brief. See supra. In light of the Eighth Circuit's conclusion, BellSouth cannot be required to combine elements, and the current Agreement is unlawful to the extent it requires otherwise. BellSouth is nevertheless willing to negotiate with MCI as to the terms under which it would be willing to provide access to combined elements. There is no need, however, to await such negotiations for this Court to declare that the current agreement is invalid to the extent it requires BellSouth to provide such combined elements.

For the same reason, there is no need to await the PSC's resolution of MCI's motion before ruling on this issue. The governing law is clear: BellSouth cannot be required to provide combined network elements to MCI. Neither MCI nor the PSC have any discretion to ignore that binding determination.

3. For its part, MCI simply tries to divert the Court's attention. Its brief focuses on everything but the dispositive language in the Eighth Circuit decisions. Those arguments should not distract the Court from the evident fact that the Agreement as currently drafted is flatly contrary to the circuit court's rulings.

MCI first contends that the Eighth Circuit's decision actually supports its ability to use combined elements to avoid the statutory resale rules. MCI Response Br. 43-45. That is plainly wrong. While the 1996 Act, as interpreted by the Eighth Circuit, does allow MCI to pay unbundled element rates when MCI combines elements, MCI has never suggested

before -- and does not suggest to this Court -- that it wants to undertake the real work necessary to combine elements. Rather, MCI wants to obtain elements at the statutory cost-based network element rates even when the elements are already combined by BellSouth into a complete service. See MCI Response Br. 46. That is precisely what the Eighth Circuit has said that MCI cannot do. Indeed, as noted, the Eighth Circuit reached that conclusion specifically to prevent the kind of improper regulatory gamesmanship in which MCI seeks to engage. Rehearing Order at *4. That directly relevant holding cannot be evaded, no matter how much MCI seeks to shift the Court's attention.

Nor can MCI plausibly contend that there is a substantive difference between resale and the use of network elements already combined into a complete service. MCI Response Br. 47-48. The simple, irrefuted fact is that MCI would do nothing differently when it obtains combined elements than when it obtains complete service for resale. The only difference would be in the price MCI pays. And it is MCI, not BellSouth, that seeks to "fool[]" (id. at 47) the Court in this regard by suggesting that the Eighth Circuit found a difference between these two activities. The Eighth Circuit's conclusion that there was a difference between resale and unbundled elements rested on its related holding that entrants could receive elements only on a separated basis, and thus are required to do the real work necessary to combine the elements themselves. See 120 F.3d at 815 ("our decision requiring the requesting carriers to combine the elements themselves increases the costs and risks associated with unbundled access as a method of entering the local telecommunications industry and simultaneously makes resale a distinct and attractive option"); Rehearing Order at *4 (allowing access to combined elements would "obliterate" the resale/network element

distinction). It is, of course, precisely that ruling that BellSouth seeks to vindicate here -- and that MCI seeks to circumvent.

Unable to avoid the plain import of the Eighth Circuit's ruling,[2] MCI also suggests that the circuit court's decision should have no effect here because BellSouth has somehow volunteered to recombine elements for MCI. MCI Response Br. 46; see also PSC Response Br. 8. That is simply incorrect. At the time of the arbitration in this case, the FCC had a rule in place that required BellSouth to combine elements for entrants like MCI. See 47 C.F.R. § 51.315(c). The PSC specifically discussed (and quoted from) that rule in its Arbitration Order (at 35), and concluded that the interpretation of the 1996 Act reflected in the relevant FCC rules was binding on the PSC regardless of the State commission's own misgivings. See Arbitration Order at 38 (emphasizing that the PSC reached the conclusion it did "because the portion of the FCC's Order interpreting [section 251] has not been stayed by the 8th Circuit Court of Appeals"). Given the unquestioned existence of an FCC rule on this point at the time of the arbitration and the PSC's explicit emphasis on the conclusive effect of such federal regulations, there is no basis to suggest that BellSouth voluntarily agreed to adhere to those (now-vacated) rules. BellSouth simply had no other choice.

---

[2]MCI also suggests that, regardless of the requirements of the federal statute as interpreted by the Eighth Circuit, the PSC could have mandated that BellSouth combine elements as a matter of State law. MCI Response Br. 46-47. Leaving aside the significant preemption questions such a determination would raise, the key point is that the PSC's decision rested exclusively on its understanding of federal law. Indeed, the PSC went to great lengths to explain that it felt bound by the FCC's then-valid rules even if it would reach a different result if left to its own judgment. See Arbitration Order 37-38. Established principles of administrative law teach that the PSC's decision may be upheld, if at all, only on the theory enunciated in its decisions. See SEC v. Chenery Corp., 318 U.S. 80, 87 (1943); First Nat'l Maintenance Corp. v. NLRB, 452 U.S. 666, 672 n.6 (1981).

More generally, BellSouth did try at every opportunity to prevent MCI's evasion of the resale pricing rules. In particular, even after the Arbitration Order, BellSouth argued that, if it must provide a combination of elements to MCI that is identical to existing BellSouth services, those elements should be priced at resale rates. See PSC Response Br. at 9 (describing BellSouth's attempts on this score). Only when the PSC made clear that it would not consider that question in this proceeding and required BellSouth to sign the Agreement on pain of substantial monetary penalties, did BellSouth execute the agreement under review here. Given these extensive efforts to obtain relief on these issues, it is spurious to suggest that BellSouth has acquiesced in MCI's conduct.[3]

Finally, MCI's policy arguments are also unavailing. Despite MCI's claim that BellSouth is being "anti-competitive" (MCI Response Br. 45), it is MCI that seeks to engage in unfair cream-skimming behavior. MCI does not -- and cannot -- dispute that the reason it cares about this issue is that it wants to engage in cherry-picking. That is, MCI wants to obtain access at cost-based unbundled element rates to complete services (for instance, business services) that BellSouth currently must provide at above-cost rates in order to subsidize affordable service for BellSouth's rural residential customers. MCI -- which has

---

[3]MCI's suggestion (MCI Response Br. 43-45) that BellSouth did not highlight the issue of who combines elements in its Counterclaim overlooks the fact that the Counterclaim explicitly stated that the then-recently issued circuit court decision might lead to a change in emphasis by BellSouth. See Answer, Counterclaim, and Crossclaim of BellSouth Telecommunications, Inc. at 17 n.3 (noting that the Eighth Circuit's opinion "could impact certain issues raised in BellSouth's Counterclaim and Crossclaim" and that BellSouth would "address the impact of the Court of Appeals' opinion . . . in its future submissions to this Court"). Thus, to the extent that BellSouth has focused its argument on the particular issue highlighted by the Eighth Circuit, that was specifically anticipated in the Counterclaim, and MCI's contention on this point is without basis.

no similar obligation to serve (or interest in serving) rural customers -- thus wants to win business not by being more efficient or by marketing new and innovative technologies, but, rather, simply by gaming the regulatory system to pick off BellSouth's most desirable customers. It is that behavior, not BellSouth's, that is unfair and anti-competitive, and it is that behavior that the Eighth Circuit refused to countenance. The judgment of that court is dispositive here.

CONCLUSION

For the foregoing reasons, the BellSouth-MCI Agreement should be held invalid and unenforceable to the extent that it requires BellSouth to provide combined network elements to MCI.

Respectfully submitted,

MAHONEY ADAMS & CRISER, P.A.

By: _____

William W. Deem
Fla. Bar No. 512834
3300 Barnett Center
P.O. Box 4099
Jacksonville, FL 32201-4099
(904) 354-1100
(fax) 798-2697

COUNSEL FOR DEFENDANT AND
COUNTER-CLAIMANT BELLSOUTH

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing has been furnished by facsimile and U.S. Mail this 28th day of November, 1997 to the following:

Carolyn S. Raepple, Esq.
HOPPING GREEN SAMS & SMITH
P.O. Box 6526
Tallahassee, FL 32314

Thomas F. O'Neil III
MCI TELECOMMUNICATIONS CORP.
1133 19th Street, N.W.
Washington, DC 20036

Donald B. Verrilli, Jr., Esq.
JENNER & BLOCK
601 13th Street, N.W.
Washington, DC 20005

David Smith, Esq.
FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Attorney

B

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Application of BellSouth Corporation,	)	CC Docket No. 97-231
BellSouth Telecommunications, Inc.	)	
and BellSouth Long Distance, Inc.	)	
for Provision of In-Region, InterLATA	)	
Services in Louisiana	)	

Exhibit B:
Remarks by Chairman Kennard to Practicing Law Institute
December 11, 1997

Remarks
by
William Kennard
Chairman
Federal Communications Commission
to
Practicing Law Institute
December 11, 1997
Washington, DC

(as prepared for delivery)

Thank you. What a nice introduction.

It's great to be here today. I'm particularly happy to appear on a program with Senator Burns. As the Chairman of the Communications Subcommittee in the Senate, he is an important voice in the debate on these issues.

A couple of weeks ago, in my first speech to the NARUC Annual Convention, I talked about the three principles I hope will guide me during my tenure as Chairman of the FCC: competition, community, and common sense.

Today I'd like to expand a bit on the first of these principles -- competition, with a healthy dose of common sense.

A few years back, I remember reading a Tony Kornheiser piece about Jim Valvano, the late basketball coach from North Carolina State.

After Coach Valvano lost to the Dean Smith's North Carolina TarHeels two years in a row, he got a letter from a fan who said, "We take competition pretty seriously down here -- and if you don't win next year I'll come over and shoot your dog."

He even signed his name. So Valvano wrote the man back. He wrote, "Sorry to disappoint you, but I don't have a dog."

The next day a UPS truck pulled up at his house with a package. Inside was a cute, furry little puppy -- with a note around his neck.

The note read: "Don't get too attached."

Well, in basketball, competition is serious business.

And it's serious business at the FCC.

What exactly do I mean by telecommunications competition?

One thing. That every consumer may obtain any telecommunications service -- local, long-distance, cellular, PCS, or other mobile service -- from a variety of providers.

Why is this so important? Because competition creates benefits for consumers we can realize in no other system.

Like lower prices overall.

Thus, in the long distance market: We now have the lowest long distance prices in history. Since the break-up of AT&T, the cost of long distance calling has fallen 50%. And prices are likely to continue to fall as even more competitors enter this market.

A competitive market also spurs providers to offer new and innovative services to customers. Certainly that was true with customer premises equipment, or "CPE" -- FCC-speak for telephone handsets, PBX equipment, modems and the like.

It wasn't long ago that the term "telephone" meant one thing -- a basic black, rotary dial piece of equipment that appeared to be constructed to survive a direct hit from a nuclear missile. Back then, everybody leased their telephone on a monthly basis from the telephone company.

Then we deregulated. And today, you can go to Radio Shack, or Circuit City, and choose from a wide variety of different types of phones, with different features, at a range of prices.

That's competition.

It's affected consumers in a lot of areas besides their phones. Anyone who picks up the Washington Post's Fast Forward magazine can see that: the October 31 issue listed over 100 Internet service providers serving residential users in the Washington metropolitan area.

Competition means better service. It means efficiency.

You don't have to study much economics to know that. All you have to do is go to Safeway -- or Giant.

Sometimes, when I'm coming home late at night I'll stop off at my Safeway. That late, the aisles are empty. You have a chance to think about what's on the shelf. Like the ice cream freezers, for example. There are times the glass doors are iced over because people keep them open, trying to decide between Haagen-Daz or Ben & Jerry's, between low-fat strawberry and the real thing, between Good Humor on a stick or Klondike, between the generic Safeway and Starbucks.

If you talk to Russian exchange students they say that one of the most bewildering things about America is the supermarket. They are amazed at the size of the stores -- and confused about how to make choices.

Our job at the FCC is to break down barriers to choice -- choice in wireless, choice in long distance, and choice in local telecommunications.

Common sense tells us that where there is real choice, competition is working and the consumer is king. In fact, competition means that the consumer must have certain fundamental rights in the telecommunications marketplace:

1. Consumers must have the right to choose providers -- from as wide a variety of providers as the market will bear.
2. Consumers must be able to move from one provider to the other.
3. Consumers must be able to move without changing numbers.
4. Consumers must not be forced to dial extra digits simply because they choose a competitive carrier rather than an incumbent.
5. Consumers must be able to change carriers without paying unnecessary fees.

This could be called a Consumer Bill of Rights for Telecom Competition.

The rights of carriers derive from the rights of consumers because competition is not an end in itself. Competition must serve consumers. So, for example, we cannot be so rigid about our techniques for promoting competition that we totally stifle innovation. We must find the right balance.

I believe we can do that.

There are two glaring ways in which consumers don't get the full benefit of this Consumer Bill of Rights in telecom. In local markets, most consumers -- and especially residential consumers -- have no real choice. Incumbent telephone companies -- the historic monopolies -- still have over 98% of this market.

There are some promising signs for business customers. New entrants are popping up to build networks and serve business customers in many of our cities -- even smaller cities.

We need to eliminate the barriers to local competition for residential users.

The other way that consumers don't get the full benefit of the Consumer Bill of Rights is that the Bell Companies are not yet permitted to offer in region long distance service. This restriction is a barrier to entry. And I look forward to being able to bring this barrier down too.

In the coming months, the Commission will be considering applications by Bell Companies to enter long distance. The unique feature of these Section 271 applications is

that, in simple terms, the Commission determines whether the Bell Company has done everything in its power to implement the Consumer Bill of Rights in local markets, so that consumers can see the last barrier fall in long distance.

This is, of course, an oversimplification. The Communications Act lays out detailed requirements that Bell Companies must meet in order for the Commission to be able to approve an entry petition. The Commission doesn't have the power to rewrite the statute, but must apply its standards.

But it is helpful sometimes to think in simple, common sense terms. And here are a few simple observations:

* By its terms, Section 271 requires the Commission to examine whether the Bell Company has opened the market to both residential and business competition.
* Opening the market is not the same as actual competition. Actual competition is the best evidence of an open market. But if a Bell Company has truly opened its market, the fact that AT&T, MCI or anyone else has not actually provided residential service will not bar approval.
* Section 271 requires a Bell Company to be ready, willing and able to provide resold services and network elements, and to do so on non-discriminatory terms. Not just one or the other. But both.

Some have argued that the best way to create local competition is simply to let the BOCs into long distance, regardless of the market opening steps they have taken. The theory behind this argument is that by letting BOCs into the long distance market, we will create an incentive for the long distance companies to speed their entry into the local market. In other words, as the long distance companies lose long distance revenues to the BOCs, they will be forced to enter the local market to make up those lost revenues.

Neat theory. But wrong.

Certainly BOC entry would create an immediate incentive for long distance companies to enter local markets. But unless the BOC has opened its market -- has taken all the steps in its power to make the Consumer Bill of Rights a reality in its local market -- neither the long distance company nor any other would-be entrant will have the means to enter.

Wishing won't make entry happen. There must be the ability to enter as well.

I <u>am</u> impatient to see real local exchange competition develop throughout this country. And I intend to do everything possible to help bring about local competition as quickly as possible. Including making sure that once the ability to enter is there, that everybody has the incentive.

How do we make local competition happen?

First, I want to talk about process. I believe that it is important for the FCC to work intensively with any Bell Company that plans to file a 271 application before the application is filed. Making this process work involves an open and frank exchange of information before the application is filed. That's common sense. The 271 process should not be a guessing game. It should not be a game of cat and mouse.

Here are a few of the issues we need to discuss.

OSS -- Also know as Delivering the Goods

Section 251 of the Communications Act makes interconnection, access to unbundled elements and resale the keys to opening local markets. But you have to be ready to do more than say you can provide these services and facilities. You have to be ready to deliver the services or elements, fix them when they break, provide necessary billing information. Just as any supplier must do for a customer.

What do we mean when we talk about OSS?

Simply put, we mean access to an incumbent's information systems that enables a competitor to:

-- initiate telecommunications service to a customer
-- effectively provide such service
-- provide necessary maintenance and repair services
-- bill the customer for the service

-- These information systems are one of the legacies of the incumbent LECs' monopoly over local service. No one else has this information because, historically, no one else has been allowed to offer local telephone service.

Why is this so important? Simply put, because quality, convenience and reputation count -- just as any businessman knows. If a customer knows that the incumbent fixes outages for its own customers in 2 hours, but it takes 2 days to fix the unbundled loop leased by the competitor, the customer will not have real, unencumbered choice.

Or if the incumbent can take down your order in one call, but a competitor trying to sell resold services has to call customers back because it can't get real time access to the customer's service record, the customer will find it unnecessarily difficult to exercise choice.

RESALE

The number one disappointment expressed to me during the confirmation process was that residential consumers are not yet able to choose among local telephone companies. Especially in light of recent court decisions, resale is the key to bringing immediate choice to residential customers.

Resale enables competitors to obtain market presence, and begin to achieve brand name recognition. They can begin to provide service to consumers before they invest in network infrastructure. They can add their own facilities when it becomes efficient and economical to do so.

Resale also has another advantage -- it can be used to serve all market segments, even before the FCC and the states have completed reforming universal service subsidies. Provided that the resale discounts are sufficient to allow the new entrant to have a viable business strategy.

And, of course, the incumbent must be able to deliver, repair and provide billing information for resold services. In other words, competitors must have access to the necessary OSS systems, and the incumbent must deliver and repair on time and in a non-discriminatory manner.

NETWORK ELEMENTS

One of the Act's clear commands is that loops, switching and transport be unbundled from one another and made available for lease by competitors. The idea is simple. Instead of building a loop, for example, a carrier with a switch can lease the unbundled loop from the incumbent. And the Act expressly permits competitors to lease and combine network elements.

It is difficult to see how these network elements can truly be considered to be available if they are priced far above true economic cost. Moreover, if these prices are broadly averaged, it is likely that they will be far above economic cost in some areas -- and far below cost in others. Both results deter entry.

It is also difficult to see how these network elements can truly be considered to be provided in a manner that allows competitors to recombine them if the only way to recombine elements impose large and otherwise unnecessary costs on the entrant.

* * *

Beyond Section 271, there are a couple of other keys to competition on which we must continue to work.

UNIVERSAL SERVICE

There have always been those who have said that you can't have competition and universal service. That's simply wrong. Quite to the contrary, we can have competition and universal service. And we will.

Universal service has been part of the telecom social compact since the invention of the telephone. We have, as a country, long recognized that having the ability to call anyone, anywhere was of tremendous social value. To accomplish this, we have built out the finest networks in the world. And we will continue to do so.

Over time, we have seen the concept of universal service evolve. First universal service was a phone in the town. Then it became party lines. Then it became single lines. Now universal service includes the ability to access to advanced telecommunications and information services, from homes, from businesses, from classrooms and from libraries.

And the miracle of technology and competition is that we have been able to achieve universal service, and still see our overall telecommunications rates decline and our choices of service and service providers multiply. This is the miracle of technological improvement, increased productivity and growth.

NEW "LOOPS"

Finally, I believe that we should also continue to look for non-traditional ways of delivering local telecommunications. As the manager of non-government spectrum, we must continue to make spectrum available rapidly for a variety of application, including as a substitute for wireline loops.

From their inception, CMRS services (commercial mobile radio services, including cellular and broadband PCS) have been valuable complements to wireline telecommunications services.

The use of wireless technology as a substitute for wireline local exchange service could accelerate if CMRS prices continue to decline as CMRS competition increases.

* * *

A lot of issues.

271. OSS. Resale. Network elements. Universal Service. New "loops".

The terms are new.

But the basic issue is not.

You know, there's a new book out about Alexander Graham Bell, who lived in Washington for 43 years.

There's a lot of fascinating material about his life, whether at home, over on Rhode Island Avenue, or in his lab in Georgetown right near what's now the Duke Ellington School.

When he moved here, Bell had just won his fight against the giant Western Union to keep control of telephone patents -- and preserve competition.

Just a few decades before Samuel Morse was also enmeshed in the issue of competition. Then it was he that thought the telegraph should be controlled by government -- and Congress that wanted the system private.

Today the issue of competition concerns us again.

Creating that telecommunications supermarket may mean abandoning some old practices -- practices that no longer fit the revolution that is upon us.

When it comes to those, keep Jim Valvano's lesson in mind.

Don't get too attached.

But remain attached to the principle this country has usually adhered to when it comes to business: that competition is good for the consumer, good for business, good for the country.

It is the organizing principle of the Telecommunications Act of 1996. And it is one of the cornerstones of the policy at the Agency of which I'm privileged to be Chairman.

Thank you.

####

CERTIFICATE OF SERVICE

I, Jerome L. Epstein, hereby certify that I have on this 19th day of December 1997, caused a true copy of the foregoing "Reply Comments of MCI Telecommunications Corporation" to be served upon the parties on the attached list by hand, except where noted by Federal Express.

Jerome L. Epstein

SERVICE LIST

Federal Communications Commission

William Caton (Original + 11 Copies)
Office of the Secretary
Federal Communications Commission
Room 222
1919 M Street, NW
Washington, DC 20554

Janice Myles (5 Copies)
Policy and Program Planning Division
Common Carrier Bureau
Federal Communications Commission
Room 544
1919 M Street, NW
Washington, DC 20554

U.S. Department of Justice

Donald J. Russell
Frank Lamancusa
U.S. Department of Justice
Antitrust Division, City Center Building
1401 H Street, NW, Suite 8000
Washington, DC 20530

Joel Klein
Acting Assistant Attorney General
U.S. Department of Justice
950 Pennsylvania Ave., NW
Washington, DC 20530-001

Louisiana Public Service Commission

BY FEDERAL EXPRESS
Mr. Lawrence C. St. Blanc
Secretary
Louisiana Public Service Commission
One American Place
Suite 1630
Baton Rouge, LA 70825

ITS

ITS
1231 20th Street, NW
Washington, DC 20036

Bell South Corporation

Michael K. Kellogg
Austin C. Schlick
Kevin J. Cameron
Jonathan T. Molot
Kellogg, Huber, Hansen,
Todd & Evans, P.L.L.C.
1301 K Street, NW
Suite 1000 West
Washington, DC 20005